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(5)

**THE PRIVATE
NON-PROFIT HOUSING PROGRAM
CANADA MORTGAGE AND
HOUSING CORPORATION**



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INTRODUCTION

The Private Mortgage Market Housing Program of the C.M.A. is designed to assist private mortgage lenders and homebuyers in obtaining financing for the purchase of a home. The program is designed to assist private mortgage lenders in obtaining financing for the purchase of a home. The program is designed to assist private mortgage lenders in obtaining financing for the purchase of a home.

WHAT IS THE PROGRAM?

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THE PRIVATE NON-PROFIT HOUSING PROGRAM CANADA MORTGAGE AND HOUSING CORPORATION


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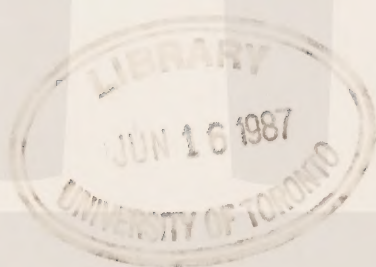
WHO ARE THE STAKEHOLDERS?

The following table lists the stakeholders involved in the program. The table is organized into two columns: "Stakeholder" and "Role". The stakeholders include the Government of Canada, the Canada Mortgage and Housing Corporation (CMHC), private mortgage lenders, homebuyers, and the public. The roles of these stakeholders are described in the table.

Stakeholder	Role
Government of Canada	Provides funding for the program.
Canada Mortgage and Housing Corporation (CMHC)	Administers the program and provides financing to private mortgage lenders.
Private mortgage lenders	Provide financing to homebuyers.
Homebuyers	Obtain financing to purchase a home.
Public	Benefit from the program through increased housing availability.



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INTRODUCTION

The Private Non-Profit Rental Housing Program is one of a number of federal programs which assists people who have difficulty finding affordable or suitable housing. The program supports the efforts of community-sponsored groups, whose members take responsibility for planning and operating modest housing on their own behalf or for other families and individuals of low and moderate incomes.

This publication provides general information on the basic features of the Non-Profit Rental Housing Program. More detail about the program or questions about a specific proposal should be discussed with the nearest CMHC branch office. A list of these offices can be found at the back.

WHAT IS PRIVATE NON-PROFIT HOUSING?

Non-profit housing can take a variety of forms. It can consist of single or multiple family housing, hostel accommodation, care facilities or group homes. It can be provided by constructing new buildings or acquiring existing buildings and modifying or repairing them if necessary. Tenants in non-profit housing include families, senior citizens and/or persons with special housing needs, such as the disabled.

All private non-profit housing projects assisted by CMHC have several elements in common: they are developed and operated by non-governmental groups on a non-profit basis, the housing itself is modest and the residents benefit from on-going financial assistance from CMHC.

The program is designed so that, normally, tenants will have a range of incomes. In this way, an undue concentration of either low or higher income people is avoided and this income mix also helps to ensure the financial viability of the project. Lower income tenants pay rents which are geared to their incomes, while other tenants pay rents which correspond to the lower end of the range of rents for comparable housing in the private market.

WHO ARE THE SPONSORS?

The sponsoring group must be a private, non-profit corporation which is primarily dedicated to the task of providing rental housing, through motives other than profit, for lower income people, senior citizens or others with special needs. In formal terms, the group must be incorporated as non-profit under provincial legislation, and have the provision of housing as a major goal in their charter. CMHC reviews the charters of non-profit corporations which apply for assistance to ensure that these conditions are met.

It should be noted that the Council of an Indian Band is also eligible for the program without being required to incorporate as a non-profit body.

SUMMARY OF ASSISTANCE AVAILABLE

CMHC provides various forms of assistance to eligible non-profit housing sponsors when the need for the proposed housing is evident in the community and funds are available. The assistance is based on provisions under the National Housing Act (NHA) and includes:

- Financial assistance to develop the housing proposal to the point where a loan application can be made;
- Loan insurance for up to 100% of the agreed-to cost of the project when mortgage financing is obtained from lenders approved by CMHC;
- Financial assistance to subsidize mortgage payments from the going market interest rate to as low as 2%. This has the effect of reducing rents, especially for low-income tenants; and
- Funding for repairs and modifications where existing housing is acquired.

These elements of the program are explained in more detail in the following pages.

PROJECT DEVELOPMENT & THE START-UP PROGRAM

An important element in ensuring the long-term success of a project is a thorough planning and design process in which all the legal, physical, social, financial and management factors are carefully considered. Some groups will have the resources necessary to carry out these tasks within their own organization. Other groups may find that, because of the specialized skills required, outside help may well be necessary. Private consultants can be used for specific development activities, but in many areas it may also be possible to retain the services of a resource group which has expertise in most aspects of non-profit housing development.

To enable non-profit sponsors to pay for the services they require to develop the project, financial assistance is available under the Start-Up Program.

This program can provide up to \$75 000 to develop proposals for non-profit housing projects. The funds used during the start-up process will eventually be included as part of the total loan and repaid to CMHC if the project goes ahead. The funding is provided in a two-phase arrangement and the amount is based on the activities a group will have to undertake depending on the type, size and scope of the proposed project.

Phase 1 allows for up to \$10 000 to assess the feasibility of the project and to allow the group to develop its own capability to undertake and manage the project. Much of the activity during this phase will include the determination of demand for the project, incorporation, organization and training for the sponsoring group, finding a suitable location, preparation of preliminary drawings and other related activities.

The remaining funds are available for Phase 2 activities which will help allow the group to determine the long-term economic viability of the project and to develop the proposal to the loan approval stage. Specific activities which are eligible for Phase 2 funding include detailed design and working drawings, estimating costs of rehabilitation, obtaining necessary permits, finding tenants, etc. Understandably, Phase 2 funding is only available if Phase 1 has shown that the project is clearly feasible.

MORTGAGE FINANCING

Sponsors will normally obtain mortgage financing to construct or acquire their project from banks or other private lending institutions. To assist sponsors in obtaining a mortgage, CMHC will provide loan insurance to lenders approved by CMHC. This loan insurance will be available to cover a loan for as much as 100% of the agreed-to project costs, for a period of up to 35 years. CMHC's fee for this insurance is included in the loan amount.

In the case of Indian Band Councils, the Minister of Indian Affairs provides a "Ministerial Guarantee" to the lender. No fee is charged for the mortgage insurance in this case.

To encourage the production of modest housing, the amount of mortgage financing which is insurable is limited to a maximum unit price (MUP), which is established by CMHC for specific housing types in the locality.

The actual cost acceptable for loan purposes is based, however, on an assessment of the individual project which could result in a loan amount which is less than the maximum unit price.

Although the MUP cost ceiling makes some allowance for normal residential amenities some projects, such as those providing care services or for physically handicapped, may require additional facilities. In such cases, the project should be discussed with CMHC, since special provisions of the program may apply.

MORTGAGE INTEREST ASSISTANCE

On-going financial assistance is provided through Section 56.1 of the National Housing Act. The maximum assistance for which the project is eligible is the difference between the mortgage payments required to pay off a mortgage at current market interest rates and the payments which would be made if the interest rate was 2%.

The following example indicates how the calculation of this assistance is made once the agreed-to cost has been established.

- If the agreed-to cost of the project is \$1 500 000:
 - The monthly payment over 35 years at the market interest rate of 14% would be..... \$17 160
 - The monthly payment at an interest rate of 2% would be \$ 4 960
 - The monthly assistance for which the project is eligible would be the difference \$12 200

This assistance is first used to reduce rents for all the units from the level which would be needed to cover the mortgage payments and the operating costs, to the lower end of the range for private market rents for comparable housing in the areas. The remaining portion of the assistance can then be used to further reduce rents for those low-income tenants who choose to declare their incomes. These tenants consequently pay rents according to a rent-to-income scale which generally amounts to 25% of their incomes.

A continuation of the previous example may clarify these points. If it is assumed that the project contains 40 units;

- The mortgage payments will be \$429 per month, per unit.
If the operating costs are \$150 per month, per unit,
the unsubsidized rent would be \$ 579
- If the range of market rents for comparable housing in the area is from \$350 to \$400, the maximum rent would be the lower end of the range..... \$ 350
- The assistance necessary to reduce the rents per month per unit would be..... \$ 229

Referring to the previous example:

- The amount of monthly subsidies for which the project is eligible would be \$12 200
- The monthly assistance necessary to reduce the rents of all units would be \$229 X 40 \$ 9 160
- The portion of assistance remaining to further reduce rents for low income residents would be the difference \$ 3 040

The amount of assistance available will vary year to year since it depends on the actual operating costs of the project, as well as any changes in private market rents for similar accommodation.

It is important to note that the amount of assistance available will generally not be sufficient to support a project where tenants are predominantly paying on a rent-to-income basis. This means that most non-profit projects will house tenants with a variety of incomes in order to achieve economic viability. For projects intending to serve mainly low-income tenants, other sources of operating or tenant subsidies will have to be sought by the sponsors before federal assistance can be approved.

FINANCING FOR REHABILITATION

Where a proposed project involves the acquisition of an existing building, rehabilitation will sometimes be required to modify or to bring the building up to standard. The federal Residential Rehabilitation Assistance Program (RRAP) may provide assistance in these situations.

RRAP includes a loan component which provides CMHC loan insurance on approved-lender mortgage financing of up to \$10 000 per unit, depending on rehabilitation costs. When used in conjunction with a non-profit project, the sum of acquisition and rehabilitation costs are limited by the maximum unit price (MUP).

A second provision of RRAP is that part of the rehabilitation loan may be "forgiven", that is, it need not be repaid. The forgivable portion of the loan is earned over time, subject to certain conditions, and the amount forgiven will vary with actual rehabilitation costs. Maximum forgivable amounts are:

- \$3 750 per self-contained dwelling unit, or
- \$1 250 for each of the first three beds and \$2 000 for each additional bed in a hostel project.

A special advantage of using RRAP in a non-profit project is that initially, the calculation of assistance is based solely on the agreed-to cost of the project, including the cost of rehabilitation. Yet the forgivable portion of RRAP is subtracted from the actual loan that has to be repaid. This lesser loan amount, and therefore smaller mortgage payment, allows more rental assistance to be available for tenants in a rehabilitated project than one newly constructed.

OTHER FORMS OF ASSISTANCE

As previously noted, the level of assistance provided through the program may not be sufficient to support a project which consists primarily of low-income tenants. There may be other cases where tenants have no incomes, or where additional services and facilities which increase the operating costs may be required. In any of these cases, the project may not be economically viable unless provincial, municipal or private contributions are received. These other sources of funding will not reduce the amount of CMHC assistance for which the project is eligible, but may be a condition of approval.

MANAGEMENT OF THE PROJECT

Management tasks will be involved through the development process and during construction of the project. The members of a sponsoring group should realize from the beginning that there will be management tasks which extend over the life of the project. A long-term commitment of time and energy will be required.

The specific management tasks which will have to be undertaken during the life of the mortgage are outlined in an operating agreement entered into by the sponsoring group and CMHC when the assistance has been approved. One of the main provisions of all operating agreements is that the sponsor must submit an annual report which includes audited financial statements, annual operating budgets and a review of incomes for those tenants paying on a rent-to-income scale. In addition, CMHC will establish the lower end of market rents on an annual basis. The annual report is necessary to ensure that the project will be eligible for assistance for the subsequent year. Other necessary management tasks outlined in the operating agreement include such things as the physical maintenance of the project, tenant selection, rental policies, rent collection and bookkeeping requirements.

Naturally, sponsoring groups are not expected to find all the skills or time necessary to carry out all the work within their own group. It is, however, the responsibility of the sponsors to hire and supervise appropriate staff or to arrange for any contractors that may be required. In any case, the final responsibility for a sound management and project administration rests with the sponsors.

CMHC BRANCH OFFICES

ALBERTA

Calgary	602-11th Ave. S.W.	(403)265-6860
Edmonton	12315 Stony Plain Rd.	(403)482-3431
Lethbridge	4th Ave. & 5th St. S.	(403)328-5581
Red Deer	4919-59th St.	(403)343-6677

BRITISH COLUMBIA

Cranbrook	129-10th Ave. S.	(604)489-4111
Kamloops	546 St. Paul St.	(604)372-1711
Kelowna	260 Harvey Ave.	(604)860-3613
Prince George	300-299 Victoria St.	(604)563-9216
Vancouver	400-2600 Granville St.	(604)731-5744
Victoria	1007 Fort St.	(604)388-3103

MANITOBA

Winnipeg	870 Portage Ave.	(204)774-7491
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NEW BRUNSWICK

Fredericton	440 King St.	(506)452-3050
Moncton	236 St. George St.	(506)388-6116
Saint John	580 Main St.	(506)658-4988

NEWFOUNDLAND

Corner Brook	4 Herald Ave.	(709)639-9782
St. John's	120 Torbay Rd.	(709)737-4400

NORTHWEST TERRITORIES

Yellowknife	Bellanca Bldg.	(403)873-2638
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NOVA SCOTIA

Halifax	7001 Mumford Rd.	(902)454-8352
Sydney	320 Esplanade St.	(902)539-7840

ONTARIO

Barrie	70 Collier St.	(705)728-4811
Hamilton	350 King St. E.	(416)523-2451
Kingston	1082A Princess St.	(613)544-4741
Kitchener	1770 King St. E.	(519)743-5264
London	285 King St. 4th Fl.	(519)438-1731
Mississauga	33 City Centre Dr.	(416)272-1744
North Bay	593 Main St. E.	(705)472-7750
Oshawa	2 Simcoe St. S.	(416)571-3200
Ottawa	1500 Merivale Rd.	(613)225-6770
Peterborough	251 Charlotte St.	(705)743-3584
Sault Ste. Marie	421 Bay St.	(705)256-5603
St. Catharines	50 William St.	(416)685-6521
Sudbury	100 ELm St. E.	(705)675-2206
Thunder Bay	1265 Arthur St.	(807)623-3496
Timmins	37 Preston St. S.	(705)267-1112
Toronto	650 Lawrence Ave. W.	(416)781-2451
Windsor	251 Goyeau St.	(519)253-7427

PRINCE EDWARD ISLAND

Charlottetown	180 Kent St.	(902)892-9181
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QUEBEC

Chicoutimi	326, rue des Saguenéens	(418)549-2381
Hull	490, boul. St-Joseph	(819)770-1550
Laval	2, Place Laval	(514)663-9300
Longueuil	99, Place Charles Lemoyne	(514)670-4600
Montréal	1100 est, boul. Crémazie	(514)374-5890
Québec	2875, boul. Sir Wilfrid-Laurier	(418)651-2310
Rimouski	320 est, rue St. Germain	(418)723-9226
Sept-Iles	350, rue Smith	(418)962-5136
Sherbrooke	2355 ouest, rue King	(819)565-4220
Trois-Rivières	1410, rue des Cypres	(819)379-6133
Val d'Or	665, 3e avenue	(819)824-3649

SASKATCHEWAN

Regina	2111-14th Ave.	(306)359-5880
Saskatoon	233-4th Ave. S.	(306)665-4900

YUKON

Whitehorse	303 Jarvis St.	(403)667-4044
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